

CHAPTER 15.4
REINVESTMENT OF SUSTAINABILITY PROCEEDS

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I. Introduction

I.A. Purpose

This chapter provides implementing policy for Department of Energy (DOE or Department) Order 436.1, *Departmental Sustainability*, which requires the reinvestment of proceeds from DOE sustainability projects.

I.B. Applicability

This chapter applies to all DOE elements for which DOE Order 436.1 is applicable. This policy does not apply to Energy Savings Performance Contracts (ESPCs). Sustainability proceeds from ESPCs are reinvested according to the terms of the ESPC contract.

II. Requirements

II.A. Requirement and Authorities

DOE Order 436.1 mandates that the Department reinvest verified monetary savings from sustainability projects in new sustainability projects, consistent with federal regulations and DOE guidance.

Specifically, the Order states:

Verified savings from all sustainability projects must be reinvested, consistent with Federal regulations and DOE guidance, to further additional sustainability projects at that site.

The DOE policy requiring reinvestment of monetary savings from sustainability projects is authorized by the *National Energy Conservation Policy Act* Section 546 (codified in 42 USC 8256).

II.B. Qualifying Sustainability Projects

The requirement applies only to projects that are described as conservation measures in annual sustainability data reporting (including the Site Sustainability Plan¹) as required by DOE Order 436.1 or is otherwise designated as a sustainability project according to guidance issued by the cognizant DOE program office.

The following normally do not constitute sustainability projects requiring the reinvestment of verified monetary savings:

- II.B.1. Maintenance and repair not related to betterments
- II.B.2. New facility construction
- II.B.3. Projects that result in immaterial savings amounts on an annual basis
- II.B.4. Projects for which the expected measurement and verification costs would exceed the projected cost savings

Any materiality threshold used to exclude certain sustainability project cost savings from the requirement to reinvest sustainability proceeds

(paragraph II.B.3) should be specified in the site-specific sustainability plan.

II.C. Identifying Verified Cost Savings

II.C.1. Verified Cost Savings

Sustainability projects provide verified cost savings when the annual cost avoidance exceeds the amortized annual cost of the project. Verified savings that must be reinvested according to the requirements of DOE Order 436.1 will be calculated on an annual basis.

II.C.2. Determining Annual Cost Avoidance

The method of verifying the cost avoidance realized from a sustainability project should be consistent with the manner in which the site verifies the savings of implemented projects under the *Energy Independence and Security Act* Section 432.

Consistent with this requirement, measurement and verification for sustainability projects shall be performed in accordance with the guidelines issued by the Federal Energy Management Program (FEMP) for ESPCs.²

II.C.3. Calculating the Amortized Annual Cost

II.C.3.i. The cost of the sustainability improvement should be amortized over the expected useful life of the improvement or 25 years; whichever timeframe is shorter.

II.C.3.ii. The annual amortized cost of the sustainability investment should be calculated using the appropriate nominal interest rate on Treasury Notes and Bonds as specified by Appendix C of OMB Circular A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, if the interest rate is not specified in the contract.

II.C.3.iii. The interest rate used should be consistent with the expected useful life of the sustainability improvement.

II.C.3.iv. The amortized annual cost should be calculated once at the time the sustainability improvement is made using the interest rate current at that time.

II.D. Reinvestment of the Sustainability Proceeds

Specific plans for reinvesting the monetary savings from energy savings projects must be detailed in the annual Site Sustainability Plans or other reporting as required by DOE Order 436.1.

III. REFERENCES

- III.A. Public Law 95-619, *National Energy Conservation Policy Act*, promotes the use of energy conservation, solar heating and cooling, and other renewable energy resources.
- III.B. Public Law 110-140, *Energy Independence and Security Act of 2007*, and Section 432 Management of Energy and Water Efficiency in Federal Buildings, the purpose of the Act is to move the U.S. toward Energy Independence and Security and increase production of clean renewable fuels. Section 432 requires periodic energy and water evaluations at covered facilities
- III.C. 42 USC 8256, *Incentives for Agencies*, agencies shall establish a program for conserving and making more efficient use of energy.
- III.D. 42 USC Chapter 152, Subchapter VII, *Improved Management of Energy Policy*, requiring DOE to develop and conduct a national media campaign promoting increased energy efficiency.
- III.E. OMB Circular A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, Appendix C *Discount Rates for Cost-Effectiveness, Lease Purchase, and Related Analyses*, provides annual updates of forecasted nominal or market interest rates for use in discounting nominal flows.
- III.F. DOE Order 436.1, *Departmental Sustainability*, provides requirements and responsibilities for managing sustainability within DOE.
- III.G. Federal Energy Management Program Measurement and Verification Guidelines for: *Measurement and Verification for Federal Energy Projects*, provides guidelines for measuring and verifying savings from energy efficient equipment, water conservation, improved operations and maintenance, etc.

IV. ACRONYMS

DOE	Department of Energy
ESPC	Energy Savings Performance Contracts
FEMP	Federal Energy Management Program
OMB	Office of Management and Budget
USC	United States Code

¹ DOE Order 436.1, Section 4 (c), requires DOE contractors to develop and implement site sustainability plans (SSPs) that identify their respective contributions towards meeting the Department's sustainability goals. Contractors must integrate their SSP into their operational programs.

² For details see Measurement and Verification Guidelines: Measurement and Verification for Federal Energy Projects or successor guideline document. Though this chapter does not apply to Energy Savings Performance Contracts, the M&V processes developed for ESPCs are applicable to the sustainability investments addressed in this chapter.